

FINANCIAL CAPACITY ASSESSMENT - PRELIMINARY						
No.	Question	Need to Submit	Unit	Answer	Benchmark	Critical
Planning						
1	Does the system prepare an annual operating budget?	Available upon request	Yes/No		Yes	X
2	Does the system prepare an annual capital budget?	Available upon request	Yes/No		Yes	X
3	Does the governing board review and approve the budget?		Yes/No		Yes	X
4	Is there an approved rate structure in place?	Available upon request	Yes/No/NA		Yes	X
Reporting						
5	Does the system maintain its financial records utilizing the Kentucky Uniform System of Accounting or a comparable system?	Available for inspection	Yes/No		Yes	X
6	Does the system prepare regular reports (monthly) to show variance between budgeted and actual revenue and expenses?	Available for inspection	Yes/No		Yes	X
7	Does the system employ a method for depreciation?		Yes/No		Yes	X
Performance						
8	Does the system perform a review annually to determine if the rates fully cover the expenses?		Yes/No/NA		Yes	X
9	Is the system operating at a retained earnings surplus? Retained earnings is the net income that is available at the end of the year and available for transfer.	Available for inspection	Yes/No		Yes	
10	Is the current debt-to-equity ratio below 1.0? The debt-to-equity ratio for any given year is computed by dividing total liabilities by total equity.	Available for inspection	Yes/No		Yes - Max 1.0	
11	Does the water system meet a debt coverage ratio for the water system 1.2? Debt coverage ratio is computed by dividing cash available for debt service (net income with annual interest, depreciation, amortization, and other non-cash items added back) by debt service requirements for the year.	Available for inspection	Yes/No		Yes - Min 1.2	X
12	For accounts payable, has the system kept payments less than 45 days past due over the last 12 months?	Available for inspection	Yes/No		Yes	X
13	Is the system current on all debt service payments?	Available for inspection	Yes/No		Yes	X
14	Is the system meeting reserve account requirements?	Available for inspection	Yes/No		Yes	X
15	Does the system write-off bad debt annually?	Available for inspection	Yes/No		Yes	
Controls						
16	Are financial statements audited by a CPA per applicable requirements (KRS 65.065, 91A.040, 96.185, etc.)?	Available for inspection	Yes/No		Yes	X
17	If audit completed, does the governing board review and accept the audit report?		Yes/No/NA		Yes or NA	X
18	Does the system have written procedures for internal control of transactions (i.e. customer deposits, accounts receivable, statements)?	Available for inspection	Yes/No		Yes	

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19	Is there a written policy for handling delinquent accounts?	Available for inspection	Yes/No/NA		Yes	